Jurnal ASET
(Akuntansi Riset)

Journal homepage: http://ejournal.upi.edu/index.php/aset/

Board Governance and Underpricing: Evidence From Five Capital Markets in Southeast Asia

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ABSTRACT

This study examines and analyzes the board governance factors associated with the underpricing of companies issuing stocks in the capital market initially. The factors considered are the size of the supervisory board, gender-based board diversity, and the size of the audit committee. The population comprises underpricing corporations in the capital markets of Indonesia, Malaysia, Singapore, Thailand, and the Philippines between 2018 and 2022, sampled using a stratified random sampling technique. Furthermore, 208 companies are employed as samples, based on the calculation of the Isaac and Michael formula. Then, the regression model is used to analyze the data. As a result, this study reveals that the greater the size of the supervisory board and the audit committee, the less underpricing, and the greater the representation of women on the supervisory board, the greater the underpricing. Reinforced by these findings, this study recommends that firms have numerous supervisory boards, comprising seven to twelve people, a high ratio of male supervisory board members, and more audit committee members to mitigate underpricing, which is a non-optimal effort to raise new capital from the initial public offering. As a novelty, this study utilizes companies from five capital markets in Southeast Asia; therefore, the generalizability of this study can be more extensive than that of employing a single capital market.

ARTICLE INFO

Article History:
Submitted/Received 11 Jan 2025
First Revised 21 Feb 2025
Accepted 03 Apr 2025
First Available online 05 May 2025
Publication Date 01 Jun 2025

Keyword:
Audit Committee,
Female Supervisory Board,
Initial Public Offering,
Supervisory Board Size,
Southeast Asian countries.

1. INTRODUCTION

The capital market makes a significant contribution to the economy nationally. It facilitates companies to get funds through the initial public offering (IPO) of stock (Álvarez-Otero, 2023). Furthermore, these funds function to expand the business (Meidiaswati et al., 2019) or growth opportunity (Ahmad-Zaluki and Badru, 2021), finance working capital (Ahmad-Zaluki and Badru, 2021; Meidiaswati et al., 2019), repay debt (Ahmad-Zaluki and Badru, 2021; Jamaani and Alidarous, 2019; Meidiaswati et al., 2019), support research and development, and internationalization (Jamaani and Alidarous, 2019). Automatically, companies can adjust their capital structure, as reflected by lowering debt position after the IPO compared to before the IPO (Siregar et al., 2024).

After an IPO, underpricing typically happens when the closing price on the first trading day is higher than the offering price (Pelawi and Pelawi, 2023; Santoso and Agoes, 2021). Based on earlier research, underpricing companies are more frequent than overpricing companies (Agustina et al., 2021; Agustina and Clara, 2021; Rathnayake et al., 2019; Teti and Montefusco, 2022; Wibowo, 2021). From the Indonesian stock market, Agustina and Clara (2021) demonstrate that 129 of 153 companies were underpricing (84.31%) from 2015 to the second quarter of 2019, supported by Agustina et al. (2021) reporting 94.64% of the underpricing enterprises in 2018 and Wibowo (2021), exhibiting 76.10% of underpricing corporations from 2008 to 2017. According to Rathnayake et al. (2019), 116 of 148 companies experienced underpricing between 1991 and 2017 in the Colombo capital market. Similarly, Teti and Montefusco (2022) report that 84 of 121 companies (69.42%) were underpricing in Italy from 2000 to 2016.

For the related companies, this underpricing demonstrates suboptimal effort to raise fresh capital from the public in the capital market (Pranadipta and Natsir, 2023). One of the responsible external institutions for a successful IPO is the underwriters (Carter and Manaster, 1990; Wibowo, 2021). Based on the deal, they determine the offering price to the public (Zhou et al., 2023). Their reputation diminishes asymmetric information between companies and investors; therefore, the pricing error decreases, and the companies can obtain more funds (D. Sundarasen, 2019). Like reputable underwriters, board governance aspects can reduce asymmetric information in the IPO, enabling the company to raise funds optimally (Teti and Montefusco, 2022).

The intended board governance aspects are the supervisory board size (Anand and Singh, 2019; Ardini, 2020; Arora and Singh, 2020; Park and Byun, 2022; Pelawi and Pelawi, 2023; Santoso and Agoes, 2021; Setiawan et al., 2021; Teti and Montefusco, 2022) and the gender composition (Reutzel and Belsito, 2015). According to resource-dependent theory, supervisory boards should be large enough to get more external information for proper decisions (Villanueva-Villar et al., 2016). They can positively extract and secure vital and valuable resources, minimizing uncertain environments and transaction costs, which leads the firm to perform more effectively (Pfeffer, 1972; Zahra and Pearce, 1989). In the IPO context, Anand and Singh (2019), Santoso and Agoes (2021), Setiawan et al. (2021), Teti and Montefusco (2022), Park and Byun (2022), and Pelawi and Pelawi (2023) affirm that enormous supervisory board can diminish underpricing, where they are contrary with Ardini et al. (2020) and Arora and Singh (2020), documenting a positive tendency. Based on the conservative managerial style perspective, unlike males, females are more risk-averse (Gao et al., 2024), recommending that firms execute projects with lower risks, which in turn results in non-optimal effort in raising funds through an IPO (Reutzel and Belsito, 2015); hence, the positive relationship exists between female supervisory board and underpricing exist, as Reutzel and Belsito (2015) confirm, contradicted with Badru et al. (2019), documenting a

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

negative propensity. As the organ that helps the supervisory board monitor management through financial reporting, internal control, and external auditing (Masmoudi, 2021), audit committee members with financial expertise are necessary to reduce asymmetric information and underpricing, thereby confirming the signaling theory (Bédard et al., 2008). This tendency is affirmed by Bédard et al. (2008) and Chahine and Filatotchev (2011) in their investigations of the association between audit committee quality and underpricing; however, it is contradicted by Castaño et al. (2024), who demonstrate a positive relationship.

This research aims to enrich the underpricing literature by investigating board governance features, including supervisory board size, gender diversity, and the audit committee as determinants. As a novelty, it utilizes companies going public in multiple countries, including Indonesia, Malaysia, Singapore, Thailand, and the Philippines. This circumstance differs from the investigators using the companies conducting IPOs in a single country, i.e., Canada (Bédard et al., 2008), India (Anand and Singh, 2019; Arora and Singh, 2020), Indonesia (Agustina et al., 2021; Agustina and Clara, 2021; Azizih et al., 2023; Pangestuti, 2022; Pelawi and Pelawi, 2023; Pradnyadevi and Suardikha, 2020; Santoso and Agoes, 2021; Setiawan et al., 2021; Wibowo, 2021), Italy (Teti and Montefusco, 2022), Malaysia (Ahmad-Zaluki and Badru, 2021; Badru et al., 2019), South Korea (Park and Byun, 2022), Spain (Castaño et al., 2024), the United Kingdom (Chahine and Filatotchev, 2011), and the United States (Reutzel and Belsito, 2015). Finally, size and profitability control the relationship between each primary board governance factor and underpricing. According to Pangestuti (2022), Pradnyadevi and Suardikha (2020), and Azizih et al. (2023), size and profitability are accounting information in the prospectus. Thus, investigating them together contributes to how accounting information can explain underpricing.

2. METHODS

The research variables cover two kinds. The first is dependent: underpricing. The second is independent: the supervisory board size, gender-based board diversity, audit committee (primary), as well as company size and profitability (control). Furthermore, the measurement is obtainable in **Table 1**.

Table 1. The measurement of research variable

Variable	Measures	Source
Underpricing	Positive initial return	Ardini (2020), Santoso and Agoes (2021), Setiawan et al. (2021), and Pelawi and Pelawi (2023)
Supervisory board size	The total people on the supervisory board	Anand and Singh (2019), Arora and Singh (2020), Ardini (2020), Haman et al. (2020), Santoso and Agoes (2021), Setiawan et al. (2021), Teti and Montefusco (2022), Park and Byun (2022), and Pelawi and Pelawi (2023)
Gender-based board diversity	The female ratio in the supervisory board	Reutzel et al. (2015), Anand and Singh (2019), Badru et al. (2019), Arora and Singh (2020), Setiawan et al. (2021), Park and Byun (2022), and Teti and Montefusco (2022)
Audit committee	Total people on the audit committee	Ardini (2020) and Santoso and Agoes (2021)
Company size	The natural logarithm of total assets	Bédard et al. (2008), Chahine and Filatotchev (2011), Badru et al. (2019), Arora and Singh (2020), Haman et al. (2020), Pradnyadevi and Suardikha (2020), Agustina et al. (2021), Ahmad-Zaluki and Badru (2021), Pangestuti (2022), and Azizih et al. (2023)
Profitability	Return on assets (ROA)	Reutzel and Belsito (2015), Pradnyadevi and Suardikha (2020), Pangestuti (2022), Setiawan et al. (2021), Teti and Montefusco (2022), and Azizih et al. (2023)

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

The population consists of companies offering their stocks for the first time from 2018 to 2022 in the Indonesian, Malaysian, Singaporean, Thai, and Philippine capital markets. Furthermore, the companies with positive initial returns perform as the sampling frame for underpricing, and **Table 2** presents their numbers for each country.

Table 2. The information on the underpricing companies between 2018 and 2022

	The total companies in the IPO market	The total companies with underpricing	The ratio of the underpricing companies
Indonesia	275	223	81.091%
Malaysia	135	84	62.222%
The Philippines	28	15	53.571%
Singapore	58	34	58.621%
Thailand	168	94	55.952%
Total	664	450	-

After that, this study calculates the sample size (SS) to represent the population size (PS) using the formula proposed by Issac and Michael (Sugiyono, 2022). This formula utilizes the 5% significance level to yield the Chi-square statistic of 3.841, the 5% mean difference between the sample and population (d), and p and q, which represent the true and false probabilities of 0.5, respectively, as shown in Equation 1.

$$SS = \frac{z^2\ statistic.PS.p.q}{d^2(PS-1)+z^2\ statistic(0.5)(0.5)} = \frac{z^2\ statistic.PS.(0.5)(0.5)}{0.05^2(PS-1)+3.841(0.5)(0.5)} \quad \text{(Equation 1)}$$

Using this formula will determine the sample size = $\frac{3.841(450)(0.5)(0.5)}{0.05^2(450-1)+3.841(0.5)(0.5)}$ = 207.485 ≈ 208 (rounded). This study then employs stratified random sampling, treating the country as the stratum, with the allocation of the total population to the sample size presented in **Table 3**.

Table 3. The allocation from the population to samples of the underpricing companies based on the stratified random sampling

Country	The total population of underpricing firms	The allocation ratio	The total samples of underpricing companies
Indonesia	223	49.56%	103.08 ≈ 103
Malaysia	84	18.67%	38.83 ≈ 39
The Philippines	15	3.33%	6.93 ≈ 7
Singapore	34	7.56%	15.72 ≈ 16
Thailand	94	20.89%	43.45 ≈ 43
Total	450	100%	208

This study employs the archival technique to accumulate the data. According to Hartono (2014), this technique counts on secondary data. In this context, these data come from (1) Refinitiv, an American-British global provider of financial market data, and (2) the papers published in international and domestic journals related to underpricing topics.

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

The regression model becomes the method for analyzing cross-sectional data: 208 firms that initially offered the stocks from 2018 to 2021, as shown in Equation 2.

$$UND = \beta_0 + \beta_1 SBS + \beta_2 FBR + \beta_3 ACS + \beta_4 LN(TA) + \beta_5 ROA + \varepsilon \quad \text{(Equation 2)}$$

Note: UND = underpricing measured by positive initial return, SBS = supervisory board size, FBR = gender-based board diversity measured by female board ratio, ACS = audit committee size, firm size measured by natural logarithm of total assets [LN(TA)], and profitability quantified by return on assets (ROA).

According to Gujarati et al. (2019), the regression model is a dependency study of the dependent variable on several determinants, adopting the ordinary least squares technique to estimate the coefficients. Hence, fulfilling classical assumptions, such as normality, homoskedasticity, and non-multicollinearity, is essential to yield the best linear unbiased estimators.

Finally, this investigation assesses the robustness by comparing the estimation results based on the ordinary least squares technique with those based on the generalized method of moments (GMM), as mentioned by Trinugroho et al. (2018), supported by Joni et al. (2021), Aksoy and Yilmaz (2023), and Widarmawan and Hadianto (2025). This circumstance differs from the research without the robust examination using this technique (Agustina et al., 2021; Ahmad-Zaluki and Badru, 2021; Anand and Singh, 2019; Ardini, 2020; Arora and Singh, 2020; Azizih et al., 2023; Badru et al., 2019; Bédard et al., 2008; Castaño et al., 2024; Chahine and Filatotchev, 2011; Haman et al., 2020; Pangestuti, 2022; Park and Byun, 2022; Pelawi and Pelawi, 2023; Pradnyadevi and Suardikha, 2020; Reutzel and Belsito, 2015; Santoso and Agoes, 2021; Setiawan et al., 2021; Teti and Montefusco, 2022; Wibowo, 2021).

3. RESULTS AND DISCUSSION

3.1. Result

Table 4 displays the total number of underpricing firms and their average initial return, calculated relative to the benchmark, as well as the standard deviation for each country based on the research sample from 2018 to 2022. Based on the sample calculation, Indonesia consists of 103 underpricing companies. On average, their relative initial return is 1.643155340. Meanwhile, the bottommost, uppermost, and standard deviations are 1.0050000, 2.2910000, and 0.3291365042, respectively. Based on the sample quantification, Malaysia consists of 39 underpricing firms. On average, their relative initial return is 1.565358974. Meanwhile, the bottom, upper, and standard deviations are 1.0090000, 4.4000000, and 0.6966555249, respectively.

Based on the sample calculation, the Philippines contains seven underpricing companies. On average, their relative initial return is 1.443428571. Meanwhile, the bottommost, uppermost, and standard deviations are 1.0230000, 2.2500000, and 0.4751416831, respectively. Based on the sample calculation, Singapore has 16 underpricing firms. On average, their relative initial return is 1.300937500. Meanwhile, the bottommost, uppermost, and standard deviations are 1.0080000, 1.9630000, and 0.3220054800, respectively. Based on the sample calculation, Thailand has 43 companies with underpricing. On average, their relative initial return is 1.451651163. Meanwhile, the bottommost, uppermost, and standard deviations are 1.0060000, 2.8740000, and 0.3392883928, respectively.

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

Table 4. Total underpricing companies and their minimum, maximum, and average relative initial return with standard deviation based on the countries

Country	N	Minimun	Maximum	Average	Standard deviation
Indonesia	103	1.0050000	2.2910000	1.643155340	0.3291365042
Malaysia	39	1.0090000	4.4000000	1.565358974	0.6966555249
The Philippines	7	1.0230000	2.2500000	1.443428571	0.4751416831
Singapore	16	1.0080000	1.9630000	1.300937500	0.3220054800
Thailand	43	1.0060000	2.8740000	1.451651163	0.3392883928

Table 5 exhibits the descriptive statistics based on 208 companies as the observation between 2018 and 2022, i.e., the lowest, the greatest, average, and standard deviation for supervisory board size (SBS), female board ratio (FBR), audit committee size (ACS), the natural logarithm of total assets [LN(TA)], and ROA. For the supervisory board size, its minimum and maximum are one person and 14 people, respectively. Meanwhile, its average and standard deviation are 5.1875 and 2.77122, respectively. As the gender-based board diversity indicator, the female board ratio minimum, maximum, average, and standard deviation are 0, 1, 0.2016, and 0.20792, respectively. For the total audit committee, the minimum and maximum are three and four people. Meanwhile, its average and standard deviation are 3.0240 and 0.15354, respectively. As a company size indicator, the LN(TA) minimum and maximum values are 14.19 and 30.94, followed by the average and standard deviation of 23.0403 and 4.41522, respectively. As a profitability indicator, the ROA minimum, maximum, average, and standard deviation are -1.29, 0.92, 0.0776, and 0.17112, respectively.

Table 5. The lowest, highes , average, and standard devi tion for bo rd size, female board ratio, aud t committe size, natural logarithm of to al assets (L (TA)), and ROA

Indicator	N	The lowest	The highest	Average	Standard Deviation
SBS	208	1	14	5.1875	2.77122
FBR	208	0	1	0.2016	0.20792
ACS	208	3.00	4.00	3.0240	0.15354
LN(TA)	208	14.19	30.94	23.0403	4.41522
ROA (decimal)	208	-1.29	0.92	0.0776	0.17112

Table 6 presents the Pearson correlation results among the indicators utilized. The correlations between IR and SBS, FBR, ACS, LN(TA), and ROA are -0.224, 0.121, -0.131, 0.125, and -0.145, correspondingly. Furthermore, the correlations between SBS and FBR, ACS, LN(TA), and ROA are 0.029, 0.171, -0.657, and 0.312, separately. Meanwhile, FBR is individually correlated with ACS, LN(TA), and ROA at 0.051, -0.029, and 0.092, respectively. Moreover, ACS correlates with LN(TA) and ROA by -0.152 and 0.006, individually. Lastly, the correlation between LN(TA) and ROA is -0.494. Considering this fact, the correlations among indicators range from moderate to weak, as reflected by all values between -0.7 and 0.4, as Akoglu (2018) explains.

Table 6. Pearson corr lations

Indicators	IR	SBS	FBR	ACS	LN(TA)	ROA
IR	1	-	-	-	-	-
SBS	-0.224	1	-		-	-
FBR	0.121	0.029	1	-	-	-
ACS	-0.131	0.171	0.051	1		-
LN(TA)	0.125	-0.657	-0.029	-0.152	1	-
ROA	-0.145	0.312	0.092	0.006	-0.490	1

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

Figure 1 depicts the normality testing result on residuals based on Jarque-Bera (JB). The related probability of JB is 0.0000, less than the 5% significance level. Hence, the residuals do not follow the normal distribution. According to the central limit theorem, as cited by Islam (2018), this situation can be ignored due to the large sample size, which exceeds 30.

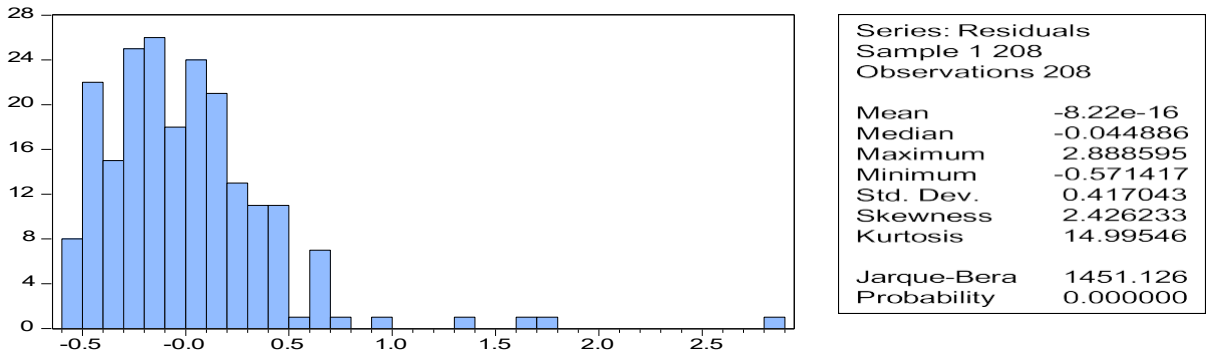

Figure 1. The Normality Testing Result.

Table 7 presents the White heteroskedasticity testing results, with a Chi-square probability for OBS*R-squared of 0.3933. It is also supported by the probabilities of t-statistics for SBS^2, FBR^2, ACS^2, LN(TA)^2, and ROA^2 of 0.9564, 0.6866, 0.3882, 0.0722, and 0.6510, respectively. Because they are above the 5% significance level, as Gujarati et al. (2019) suggest, heteroskedasticity is absent, meeting the classical assumption examination.

Table 7. The examination result of the White Heteroskedasticity:
RES^2 = f(SBS^2, FBR^2, ACS^2, LN_TA^2, ROA^2)

OBS*R-squared	5.188836	Probability of Chi-Square (5)		0.3933
Variable	Coefficient	Std. Error	t-Statistic	Probability
C	0.803500	0.442076	1.817560	0.0706
SBS^2	-8.69E-05	0.001589	-0.054691	0.9564
FBR^2	-0.133968	0.331526	-0.404094	0.6866
ACS^2	-0.037007	0.042794	-0.864780	0.3882
LN(TA)^2	-0.000493	0.000273	-1.807120	0.0722
ROA^2	-0.153566	0.338997	-0.453001	0.6510

Table 8 demonstrates the detection result of multicollinearity, specifically the variance inflation factor (VIF) for SBS, FBR, ACS, LN(TA), and ROA, which are 2.165, 1.440, 1.042, 2.107, and 1.346, respectively. Because these values are below 10, as Gujarati et al. (2019) declare, multicollinearity is absent, meeting the classical assumption examination.

Table 8. Multicollinearity detection resu lt

Independent Variable		Collinearity Statistics VIF
	Tolerance	
SBS	0.462	2.165
FBR	0.694	1.440
ACS	0.959	1.042
LN(TA)	0.475	2.107
ROA	0.743	1.346

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p- ISSN 2086-2563 e- ISSN 2541-0342

Table 9 compares the adjusted R-squared of the regression model before and after the inclusion of firm size and profitability as control variables, i.e., 0.062455 and 0.068831. The increase in adjusted R-squared demonstrates that firm size and profitability have explanatory power, as Hair et al. (2022) explain. After controlling for the variables, the probability of the t-statistic for the primary variables is significant at a 10% level: 0.0081, 0.0359, and 0.0997. This circumstance differs from the model with pre-control variables: only ACS is insignificant at the 10% level, with a p-value of 0.1397.

Table 9. The estimation result of the regression model based on the ordinary least squares technique: The impact of board governance features on underpricing (N = 208)

Position	Variable	Expected sign	Before control variables		After the control variables	
			Coefficient	Probability of t-statistic	Coefficient	Probability of t-statistic
Primary variable	SBS	(-)	-0.033147	0.0024	-0.037743	0.0081
	FBR	(+)	0.277184	0.0520	0.299891	0.0359
	ACS	(-)	-0.288907	0.1397	-0.322771	0.0997
Control variable	LN(TA)	NA	-	-	-0.011131	0.2499
	ROA	NA	-	-	-0.352686	0.0766
Adjusted R-squared			0.062455		0.068831	

Table 10 presents the robustness check results for the regression coefficients using the GMM method. In this table, the t-statistical probabilities for SBS, FBR, and ACS as primary determinants are significant, with values of 0.0006, 0.0018, and 0.0001, respectively, corresponding to negative, positive, and negative regression coefficients. This situation is robust due to the similar result in the primary model, which employs the ordinary least squares technique, as shown in **Table 9**.

Table 10. The estimation result of the regression model based on the generalized method of moment technique: The impact of board governance features on underpricing (N = 208)

Position	Variable	Expected sign	Coefficient	Standard Error	t-statistic	Probability
Primary variable	SBS	(-)	-0.037743	0.010776	-3.502441	0.0006
	FBR	(+)	0.299891	0.095014	3.156283	0.0018
	ACS	(-)	-0.322771	0.082507	-3.912044	0.0001
Control variable	LN(TA)	NA	-0.011131	0.008965	-1.241609	0.2158
	ROA	NA	-0.352686	0.155080	-2.274213	0.0240
Adjusted R-squared			0.068831			

3.2. Discussion

This study reveals a negative relationship between the size of the supervisory board and underpricing (see the t-statistical probability of SBS being significant at the 5% level: 0.0081 in **Table 9**). Hence, it supports the resource dependence theory, focusing on utilizing the large board with the capability of external connections to the market, technology, and raw materials, and advising managers based on their various expertise and experiences (Ning et al., 2010). In the context of underpricing, this capability can mitigate uncertainty and underpricing. Therefore, this evidence aligns with Anand and Singh (2019), researching 471 IPO firms in India from 2003 to

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

2017, Setiawan et al. (2021), and Santoso and Agoes (2021) from Indonesia, with 186 and 150 IPO companies from 2001 to 2016 and between 2014 and 2018, respectively, declaring a negative relationship between supervisory board size and underpricing. Equally, this propensity is confirmed by Teti and Montefusco (2022), investigating 128 Italian firms conducting IPOs from 2000 to 2016; Park and Byun (2022), researching 470 Korean companies between 1999 and 2018; and Pelawi and Pelawi (2023) utilizing 318 Indonesian firms conducting IPO from 2010 to 2020 as their sample.

This study reveals a positive tendency for female boards toward underpricing (see the t-statistical probability of FBR being significant at the 5% level: 0.0359 in **Table 9**). Thus, it represents the idea that women are risk-averse, as posited by the conservative managerial style perspective, as used by Gao et al. (2024). Unlike men, they cannot tolerate risk by executing risky projects. Indeed, as the supervisory board, they recommend that the managers choose and execute safe projects. This situation prevents firms from optimally obtaining funds in the IPO market. Hence, this circumstance supports Reutzel and Belsito (2015), who assert that female board diversity, as reflected by the number of women, is positively associated with underpricing, based on their investigation of 565 IPO companies in the United States between 1997 and 2007. This study finds a negative association between the audit committee and underpricing (see the t-statistical probability of ACS being significant at a relaxed 10% level: 0.0997 in **Table 9**).

Consequently, it reinforces the signaling theory related to diminishing asymmetric information, as employed by Bédard et al. (2008) in their investigation. Decreasing this information requires high-quality financial reporting, guaranteed by a large number of audit committee members (Bédard et al., 2008) with economic and accounting expertise (Endrawes et al., 2020). Additionally, this situation is confirmed by Bédard et al. (2008), who studied 246 IPOs in Canada from 1982 to 2002, and Chahine and Filatotchev (2011), who investigated 375 companies initially listed on the United Kingdom stock market between 1999 and 2003.

Lastly, related to the first control variable, this study finds that firm size, measured by LN(TA), does not affect underpricing, which aligns with the findings of Chahine and Filatotchev (2011), Badru et al. (2019), and Arora and Singh (2020). As a second control variable, profitability exhibits a negative tendency toward underpricing, indicating that, as a key accounting metric, ROA effectively serves as a profits-to-assets ratio, diminishing suboptimal efforts to secure funds in the IPO market. Therefore, this circumstance supports the findings of Pradnyadevi and Suardikha (2020), Teti and Montefusco (2022), and Azizih et al. (2023).

Inclusively, this study establishes a meaningful effect of supervisory board size, female board supervision, and audit committee size on underpricing with negative, positive, and negative signs, respectively, based on a regression model estimated by the ordinary least squares and generalized method of moments based on the secondary data from five capital markets in Southeast Asia. Based on these signs, this research reinforces the resource dependence theory, the conservative managerial style perspective, and signaling theory simultaneously.

4. CONCLUSION

For enterprises, underpricing demonstrates their inability to raise the optimal funds when initially issuing stocks in the capital market. Hence, this study analyzes the impact of corporate governance mechanisms, including the supervisory board, female board, and audit committee, on underpricing in IPO firms across five capital markets in Southeast Asian countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. After examining stock exchange-related data from 2018 to 2022, this study presents four key findings. Firstly, the sizeable supervisory board can reduce underpricing. Secondly, the lower the proportion of female supervisory board

DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342

members, the less underpricing. Thirdly, large audit committees can mitigate underpricing. These findings occur because firm size and profitability, together, can effectively control three primary relationships, although the association between size and profitability is insignificant. As the accounting proxy, the opposite impact of profitability on underpricing occurs. In other words, the more profitable the company, the less underpriced its shares in the capital market. This research offers a comprehensive examination of the roles of supervisory boards, female boards, and audit committees in mitigating underpricing, thereby enabling companies to optimize their IPO proceeds. Therefore, before the IPO, companies need to hire a large supervisory board to reduce underpricing, with a lower proportion of female board members. The next question is how many optimal boards are required. Ning et al. (2010) suggest that as long as the boards consist of seven or fewer members, firms tend to elevate them. When the board size is twelve or more, the firms should cut them. Based on this explanation, this study recommends that the optimal board size be from seven to twelve. Additionally, the companies must provide several committee audit members with accounting backgrounds to achieve this purpose, and must have high profitability to decrease underpricing.

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DOI: https://doi.org/10.17509/jaset.v17i1
p- ISSN 2086-2563 e- ISSN 2541-0342